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AUGUST 1988

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

How to cope with the looming labor shortage

Help Wanted

PLUS

Understanding the impact of your company's culture

Fast-food wars: Will promotion tip the scales?

Sales incentive survey

Motivation show preview

A BILL PUBLICATION

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

AUGUST 1988 — 84th YEAR, VOL. 162, NO. 8

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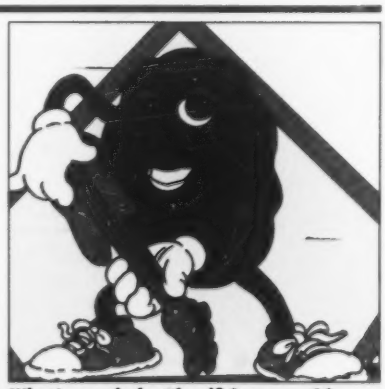

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INCENTIVE (formerly Incentive Marketing/Incorporating Incentive Travel) covers the methods used by organizations to motivate customers at all levels to buy and employees to work more effectively

Cover Photo: Fred Slavin

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WHITHER THE WORK ETHIC?

Is the American work ethic alive and well? Not according to a recent survey conducted by the International Research Associates (INRA) and the Roper Organization.

Americans ranked their occupations eighth in importance out of 10 things that affect their lifestyles. By contrast, Japanese ranked their occupations number two in importance and Europeans number four.

Americans also reported low job satisfaction, placing their work number seven in satisfaction out of 10 key elements in their lives. Both the Japanese and Europeans indicated a higher level of satisfaction with their work.

Not surprisingly, American white-collar workers reported considerably more job satisfaction than blue-collar workers. Men were more likely than women to say that their work is both important and satisfying. Generally, older respondents reported greater job satisfaction than younger ones.

The survey covered 8,000 interviews—1,000 in each of six European countries, the United States and Japan. INRA and Roper are part of Starch INRA Hooper Inc., which is headquartered in Mamaroneck, N.Y. □

■WHAT IS MOST IMPORTANT TO YOU?

Q. Here is a list of things that affect your lifestyle. Please rate each on how important it is to you. Use a scale of 1 to 10, where 10 means it is extremely important to you and 1 means it is not at all important to you.

U.S.	JAPAN	EUROPE
1. Children's education (7.14)	1. Health (8.06)	1. Children's education (8.02)
2. Family life (7.05)	**2. Occupation (7.63)**	2. Health (7.95)
3. Health (7.02)	3. Family life (7.60)	3. Family life (7.80)
4. Quality of life (6.80)	4. Friends, relatives (6.62)	**4. Occupation (6.63)**
5. Friends, relatives (6.46)	5. Children's education (6.53)	5. Love life (6.62)
6. Love life (6.11)	6. Quality of life (6.26)	6. Quality of life (6.47)
7. Income, standard of living (5.91)	7. Income, standard of living (5.84)	7. Friends, relatives (6.12)
8. Occupation (5.87)	8. Love life (5.66)	8. Income, standard of living (5.85)
9. Leisure activities (5.26)	9. Leisure activities (5.24)	9. Leisure activities (5.32)
10. Current political situation (4.51)	10. Current political situation (5.08)	10. Current political situation (4.00)

CUSTOMER SURVEYS CAN HELP THE BOTTOM LINE

Customer satisfaction surveys are conducted by only one-third of 47 companies surveyed by the Schering Plough Corporation, Madison, N.J., which wanted to compare itself with companies in different industries.

The Customer Service Institute, Silver Spring, Md., believes customer feedback is a good idea for the following reasons:

- Managers often assume that they know what is important to customers and measure service against their own standards. Although this method may measure efficiency, it does not measure customer preferences as to types of services nor does it measure their perceptions of the quality and value of service they receive.
- Customer-service standards often are set on the basis of what firms can, rather than should, do. Mediocre performance measured against mediocre standards looks better than it actually is.
- Companies that do not survey customers may be spending more money correcting service problems and winning new customers than is necessary. And they may be spending money on the wrong areas. □

POLICE: REWARDING COURTEOUS DRIVERS

Motorists in Arlington, Tex., had good reason to be nice drivers this summer: Police officers were pulling over good drivers to award commendation certificates.

The goal was "to create a feeling that it's easier and more pleasant to drive in a courteous and safe manner," says Sgt. Jay Six, supervisor of the police department's community services division. "We also want drivers to understand that the police are just not out there to punish or nail them for doing things wrong. We're only interested in promoting traffic safety."

During the 90-day promotion, which began in May, 1,000 commendations were expected to be given out.

By press time, drivers had been cited for:

- stopping in roadways to let other motorists out of parking lots;
- helping to push stalled cars off roads;
- observing speed limits in light traffic, and
- changing lanes properly.

Certificates were not all that the good motorists won. Each driver

Performance dips slightly and costs are up—but use of incentives for sales campaigns is still on the rise.

FACTS SURVEY

Sales Incentives

The arithmetic of sales incentives is a bit less favorable this year, but the numbers have not kept users from moving ahead with programs. On average, they are budgeting 7.3 percent more than they spent in 1987 to motivate sales personnel.

The figures show that salespeople are winning a little more, while producing slightly less—thereby increasing the costs of programs relative to sales. An average of 42 percent are qualifying for incentive awards, up from a steady 40 percent during the past three years. Average sales results have dipped to 19.7 percent this year from an average of 20.9 percent in the past two years.

Meanwhile, the user's cost, as a percent of incremental sales, is up. The median remains at last year's 10 percent level, but enough expensive programs were included to raise the average to 15 percent, from 12 percent a year ago.

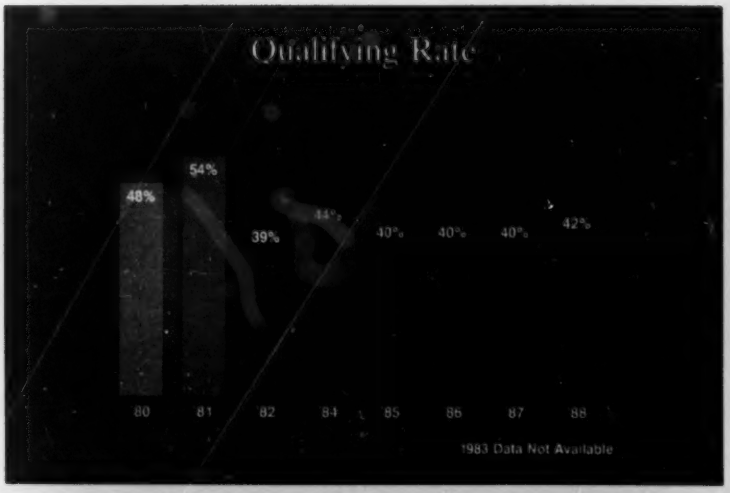
The 7.3 percent rise in current expenditures by the latest survey group of 208 companies is below 1987 growth, which was estimated at 8.6 percent. But it still represents a healthy upward trend in a period of low inflation.

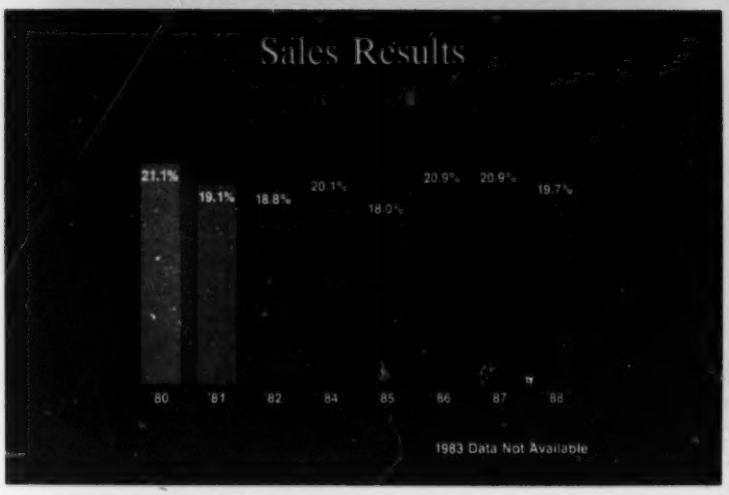
This year reverses the merchandise and travel awards spending pattern of 1987, when travel programs registered a 10.7 percent rise and merchandise expenditures increased 7.9 percent. The users' present estimates suggest they are spending only 5.4 percent more for travel, while merchandise outlays gained 8 percent.

Expenditures for sales incentives last year were estimated at $4.46 billion—with $3.25 billion for merchandise awards and $1.21 billion for travel. If estimates garnered from the current survey hold true, noncash sales incentive expenditures would rise to almost $4.8 billion this year.

One factor affecting the overall cost picture is the breakdown of qualification rates between merchandise and travel. While overall participation moved up to 42 percent from 40 percent, the increase was greater in travel programs: 33 percent earned trips, compared with 29 percent a year ago. On the merchandise side, qualifiers moved a single point, from 49 percent to 50 percent.

The average trip cost per person among these users took a large jump, to $1,664





Slightly more salespeople are qualifying for awards in 1988, ending a stable, three-year trend. Meanwhile, sales results have dipped by more than one percentage point—to 19.7 percent.

with a median of $1,450. That compares with a $1,404 average and $1,000 median a year ago.

For merchandise awards, the $260 average is somewhat lower than last year's $340.

Company salespeople were slightly more evident among promotion targets in this year's survey. Always the leading category of award recipient, this group was favored by 66 percent a year ago. In the present survey, 78 percent of the users aim incentive campaigns at internal sales personnel.

Overall, surveyed companies average about 1.5 types of targets. This year, 26 percent offer incentives to wholesaler or jobber salespeople, while 23 percent target manufacturers' representatives. Other targets are retailer sales personnel at 18 percent and direct-selling representatives, 3 percent. And 5 percent of the executives also provide incentives for "other" types of personnel.

These marketers conduct a median of three merchandise promotions per year, the same number as the similar survey group last year. However, in programs offering travel alone or a combination of travel and merchandise, the medians have risen to two promotions per year in each case from one.

Multiple promotions give the user flexibility to apply the incentive to selected groups of products or even to single items. Half of the surveyed executives promote selected products, while 10 percent pinpoint specific items. The remaining 40 percent, many of whom conduct year-long campaigns, apply the motivational push to their complete lines.

Respondents who run long-term programs covering full lines of products or services are among those whose primary objective is to generate more sales dollars, i.e., to "increase overall volume." That goal is chosen by 61 percent of this year's respondents, up a bit from the 1987 survey but well below the 75 or 80 percent who favored that sales incentive goal several years ago.

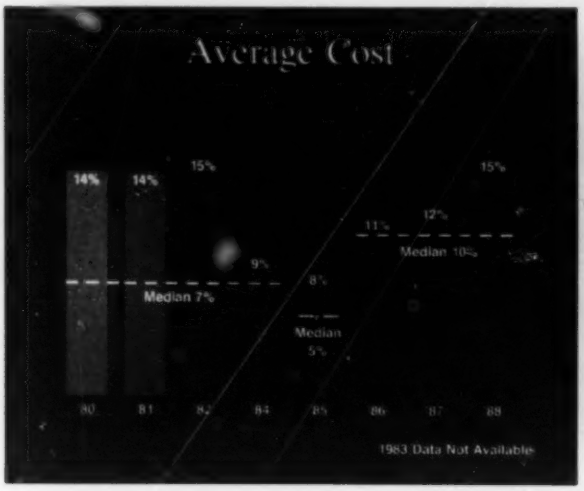
The rise in current expenditures by the survey group of 208 companies is below the overall estimate of 1987 growth. But it still represents a healthy upward trend in a low-inflation period.

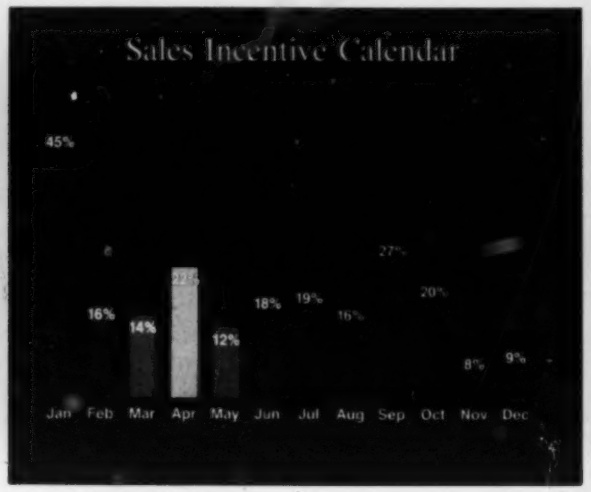
Selling new accounts, always an important function of incentives, is even more crucial this year. In last year's study, it was selected by 41 percent, making it third behind introducing new products at 47 percent. But the latter objective has dropped one percentage point this time and runs third after selling new accounts, which rises to 50 percent.

Most users rely on sales incentives for more than one purpose, either in the same or separate programs during the year. In this survey, the percentage choices add up to far more than 100 percent, because users have indicated an average of almost three goals for each.

When translating these goals into campaign rules, the vast majority of companies assign quotas to represent the desired achievement, but they differ on how to derive the quotas. The most common method is to take a percentage of increase over the previous year's sales; 61 percent do it that way. But 30 percent work back from a sales forecast—which may not be directly related to past experience—and a minority of 9 percent base their quotas on the immediate previous sales period.

Quotas and rules are part of a more complex process—campaign planning. Planning, if it is to be effective, must cover everything from the objective to the measurements that will govern the final evaluation of results. The planning time tends to have a fairly close relationship to the duration of the promotion period itself. In the current survey, the planning time is just slightly shorter than the running time. In a merchandise promotion, the users say they devote an average of 13 weeks to planning, while travel users take more time—25





The average user's cost is up to 15 percent of incremental sales; January is most popular for launches.

The most common method for setting quotas is to take a percentage of increase over the previous year's sales: 61 percent do it that way.

weeks on average.

Once the plan is in place, the merchandise campaign is in the field for an average of 14 weeks. Travel users run their programs for 29 weeks of sales time. When short-term sprint campaigns are used—generally as an extra stimulus during a very long promotion period—they run for an average of seven weeks. About 21 percent of the executives say they use such special efforts.

Sales incentives are used in all seasons of the year, but certain periods do have an edge in campaign launches. January is by far the biggest month for initiating a promotion, primarily because of the number of users conducting calendar-year programs. Fully 45 percent of the users in this survey begin some of their programs in January. Next is September, chosen by 27 percent, followed by April with 22 percent.

Marketers often spend a large portion of their total budgets for the materials that go into the promotion launch and subsequent drum-beating. They use literature that announces the program, merchandise catalogues or travel brochures, teaser mailings, advertising specialties, updates on standings, kick-off meetings and many other forms of promotion. The expenditures vary from almost nothing to 50 percent or more of the budget in isolated cases. On average, users in this survey report that they spend 19 percent of their total budget for promotion, with the remaining 81 percent for purchase of merchandise or travel.

In the detailed planning and execution of an incentive campaign, there is plenty of room for problems to develop. But no aspect of the process stirs more anxiety or indignation than relations with suppliers, if we listen to the complaints of the users.

Two types of supplier stand out as the most frequently used: incentive wholesalers or jobbers in merchandise programs, favored by 52 percent, and travel agents, used by most of the 53 percent of travel users who say they do most of their own planning.

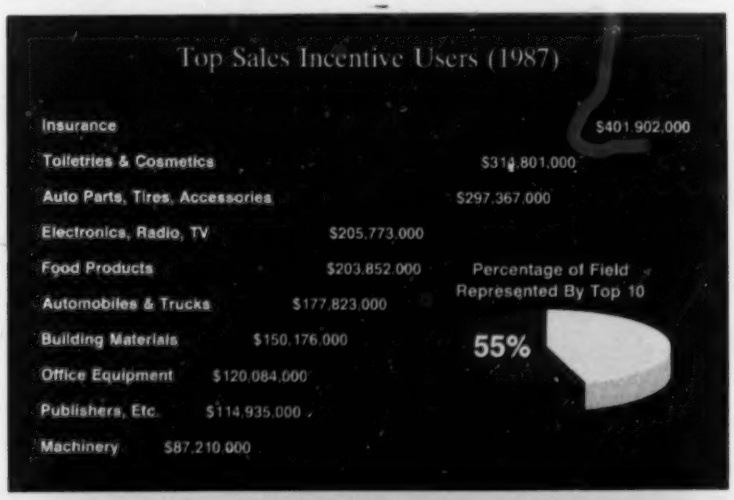
"Travel agents don't know this business," complains a New York wholesaler, "but are in it just to make more sales for themselves."

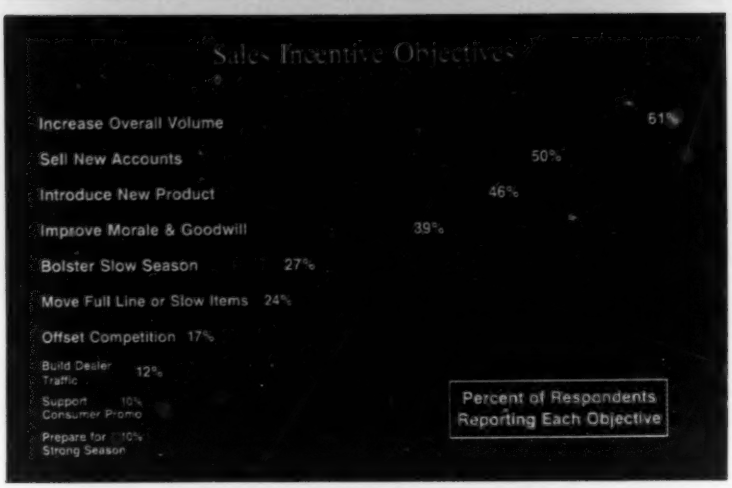
"Commercial incentive suppliers are interested only in large-budget operations," says Louis F. Liptak, president of the Cemarx Corporation, Geneva, Ill., a computer consulting firm. "Therefore we have to go it alone."

Loretta Blinn, marketing manager for audio equipment wholesaler Califone International Inc., Chatsworth, Calif., says that her problem, very simply, is "getting answers, quotes and information from a supplier when I want it."

Larry Smith, national sales manager of the Star Chemical Company, Hinsdale, Ill., finds a "lack of professional help from sources. Many times [they make] lots of promises with little if any follow-through. Too many incentive house sources are only concerned with making their sale. We as customers look to them for creative help and ideas."

Suppliers are not the only bad guys. Management comes in for a good share of complaints in the surveys. A broadcaster who wanted his name withheld says he has the ongoing problem of "proving to management





Top user is the insurance industry; selling new accounts grows in importance.

that incentives work out on a continual basis, not just as a Band-Aid approach." A finance-company executive is frustrated by "senior management's lack of long-term planning...[and] inability to turn loose the good people they have hired and let them perform."

While "good people" may be turned loose in some cases, it is most often senior management that has the final say on going ahead with an incentive plan and authorizing purchases, according to 68 percent of the companies in this survey. Directors of sales or marketing account for another 27 percent of decision-makers. Advertising or sales promotion people (4 percent) and product managers (1 percent) bring up the rear.

When management, at whatever level, comes to evaluating the program, the prevailing criterion is total dollars or product units sold: That is the touchstone for 71 percent of respondents. Another 44 percent judge by the percentage of eligible people who qualify. Increased market share is the standard for 29 percent, 26 percent look at profit on incremental sales, and branch or district performance is the gauge for 13 percent. Most of those surveyed gave multiple answers, with the executives indicating an average of almost two criteria each. A good number use at least three of the evaluation criteria—no doubt mindful that, until marketing becomes a mathematically precise science, it pays to look at every bit of available evidence. □

When management, at whatever level, comes to evaluating the program, the prevailing criterion is total dollars or product units sold: That is the touchstone for 71 percent of respondents.

▶ Types of award

Single premium or group of related items	44%
Individual travel award	42%
Merchandise selection from incentive house	34%
Group travel award	33%
Own catalogue	17%

▶ Merchandise suppliers

Wholesaler or premium jobber	52%
Direct from manufacturer	40%
Full-service incentive house	25%
Manufacturers' representative	23%

▶ Travel suppliers

Make own arrangements	53%
Full-service incentive house	31%
Travel/tour wholesaler	22%
Travel carrier or hotel	16%

▶ Final buying decision

President, CEO, executive vice president, general manager	68%
Director of sales or marketing	27%
Director of advertising or sales promotion	4%
Product manager or merchandising manager	1%

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